

MASSACHUSETTS
Public Employee Retirement Administration Commission
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M E M O R A N D U M

TO: All Retirement Boards

FROM: Joseph E. Connarton, Executive Director

RE: Noncontributory Pop Up Act

DATE: January 25, 2001

Acting Governor Jane Swift recently signed Chapter 411 of the Acts of 2000 into law. This act allows for a pension allowance adjustment for those noncontributory retirees who retired under G.L. c. 32, § 58B before January 12, 1998 and whose beneficiary predeceased them. Any such noncontributory retiree would be eligible for the adjustment of their retirement allowance. This bill does not take effect until April 5, 2001. This act does not allow for allowance adjustments for any period before April 5, 2001 and no retroactive benefits are authorized. Consequently, no payment is to be made relative to the period, if any, from the date of death of the beneficiary to April 5, 2001.

This change is subject to local acceptance and must be approved by the respective retirement board and local legislative body. In a city, the legislative body is the city council in accordance with its charter, in a town, by the town meeting, in a county by the county retirement board advisory council, in a district by the district members, and in an authority by the governing body. A copy of the act is enclosed for your use.

Please send a copy of the retirement board and legislative body acceptance of Chapter 411 to the Commission's Legal Unit.

The following provides an explanation on calculating the Noncontributory Pop-Up.

Pursuant to G.L. c. 32, §58B, the following is the formula to calculate the "pop-up" pension:

$$\text{"Popped-up" pension} = 58B_{\text{dod}} \times (58B_{\text{orig}}/58B_{\text{orig}})$$

MEMORANDUM - Page Two

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Where $58B_{\text{dod}}$ = pension that the veteran was receiving at the time of the beneficiary's death
 58_{orig} = pension, which the veteran would have received at the time of retirement had s/he chosen Section 58
 $58B_{\text{orig}}$ = actual pension that the veteran received at the time of retirement

However, under the new local option, the beneficiary may have died a number of years ago. Therefore, the benefit must first be "popped-up" and then brought forward with COLA increases **as if the "pop-up" had actually occurred at the date of death.** The new pension is to be paid to the veteran **prospectively from April 5, 2001.**

For example, assume a retirement date of October 1, 1985, and the date of the beneficiary's death is April 1, 1990. Also assume the pension which the veteran would have received at the time of retirement had s/he chosen Section 58 was \$15,000, and that the Section 58B pension the veteran received at the time of retirement was \$12,000. The veteran would have received COLA increases of \$270 in 1987 and \$360 in 1988 (there was no COLA in 1989). Therefore, the total pension that the veteran was receiving at the time of the beneficiary's death was \$12,630.

"Pop-up" pension = $58B_{\text{dod}} \times (58_{\text{orig}}/58B_{\text{orig}}) = \$12,630 \times (\$15,000/\$12,000)$
= $\$12,630 \times 1.25$
= \$15,787.50
= \$1,315.63/monthly (rounded)
= \$15,787.56/annually (rounded)

This is the pension that would be payable as of the date of death of the beneficiary (April 1, 1990). To arrive at the pension that would be payable as of April 5, 2001, add the appropriate COLAs. In the example above, add the COLAs for 1992, 1994, 1996, 1998, 1999 and 2000 (if last three were accepted), which are \$450, \$270, \$270, \$252, \$360 and \$360 respectively. This would make the "popped-up" pension payable as of April 5, 2001 equal to \$17,749.56.

The formula used to calculate the "pop-up" is the same for veterans already eligible for the "pop-up" as well as those made eligible as a result of acceptance of the local option. In both instances, the "pop-up" occurs at the time of the beneficiary's death.

We trust the foregoing is of assistance. If you have further questions or concerns, please contact this office.

Enclosure

JEC/sjz

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